

# Bidirectional agency relationships in solution selling: The impact on customers' acceptance of performance-based pricing

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## **Abstract**

This research examines how the bidirectional agency relationship and perceived performance uncertainty of the solution influence B2B customers' acceptance of performance-based pricing (PBP). This is important as the implementation of PBP is still in an early stage. Moreover, in terms of solution selling the customer-supplier relationship becomes long-term oriented and ambiguous. Drawing from a cross-industry survey with 196 managers of B2B firms, we find that the customer's opportunistic mindset moderates the effect of perceived supplier opportunistic behavior on customers' acceptance of PBP. Moreover, perceived performance uncertainty of the solution enhances the perceived uncertainty of supplier opportunistic behavior and thus leads to higher acceptance of PBP. We extend PBP literature by explaining customers' acceptance of PBP and add insights from a customer's perspective. From a managerial perspective, these findings show how suppliers can enhance customers' acceptance of PBP.

**Keywords:** *performance-based pricing; agency theory; business-to-business marketing*

**Track:** Business-To-Business Marketing & Supply Chain Management